

The Conference Board MANAGEMENT RECORD

Published Monthly by
NATIONAL INDUSTRIAL CONFERENCE BOARD, INC.
247 PARK AVENUE, NEW YORK

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JULY, 1940

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VOL. II, No. 7

A Labor Truce for the Duration

AMERICAN PUBLIC OPINION has been shocked out of a complacent assumption that an isolationist national policy could be depended upon to keep the United States free from the menace of totalitarian ambitions. Under the impact of a pitiless and terrifyingly convincing demonstration of unscrupulous military efficiency there has taken place with unprecedented rapidity an almost complete reversal of public attitude toward the question of the relation of events in Europe to the most vital interests, if not the survival of this country. Consequently, with no question of popular support of a program to prepare this country as rapidly as possible to meet any eventuality, steps are being taken to inaugurate a rapid increase in production of the equipment of modern warfare that may completely eclipse what was accomplished in the period 1916-1918.

Rapidly accelerated industrial activity intensifies the normal problems of manufacturing operation, particularly those concerned with labor relations. When such activity results from war conditions, with imperative emphasis on speed, while ordinary considerations take second or third place, points of view have to be adjusted to a new scale of values. Individual and group interests have to be subordinated to the single objective of national welfare. It is at such times that citizens of whatever station, whether they be capitalists, industrial managers, labor leaders, or rank and file workers, show their true colors—show whether their reaction to a national emergency is to use it for the advancement of their own particular interests, or whether instinctively they place first the national welfare. As a matter of fact,

in the present situation, so fundamental are the issues that even the most selfish, if they be intelligent and farsighted enough to grasp the significance of events and issues, must necessarily think first of the preservation of our form of government and our economic system, since, if these are lost, then all the group advantages that have been won under the operation of our system will be as valueless as a check on a bankrupt bank.

The gravity of the present situation is probably responsible for the unusual public attitude which one senses toward the facilities of war material manufacture. It is as though by common consent these facilities had become in a way nationalized. While still belonging to their owners, they are assumed to be conscriptive for the duration of the emergency for the public welfare. This is no incipient trend toward Fascism or any other totalitarian ideology; it is the instinctive assumption of a free and democratic people that when the continued existence of their philosophy of life is threatened all must and naturally will contribute toward the common defense freely and without reservation according to their ability and in the manner most helpful to the attainment of the main objective.

It is axiomatic that uninterrupted production is the first essential in securing maximum effectiveness of American industry in this race against time to build up reserves of war materials for national defense. No individual or class differences, no jockeying for strategic advantage of particular interests, and no greed of whatever group can be allowed to interfere with the continuous operation of productive equipment. The wherewithal to combat aggression must be turned out as

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rapidly as is humanly possible and no unnecessary stoppage of the steady flow of production will be tolerated. This seems clearly to be the temper of American public opinion.

Yet experience in the last World War shows that under war production conditions industrial disputes tend to multiply. This is quite natural if prices and wages get out of a reasonable relationship to each other, and particularly when employers generally and employees generally think that each is trying to take an unfair advantage of the other. Patriotic impulses tend to become blurred when it is believed that others are not equally actuated by patriotism. Because of the danger of labor troubles inherent in a war economy, and because of conditions that have been developing in recent years, labor relations in the United States are entering a very critical period. Frank recognition of this fact in advance, both by industrial executives and by labor leaders, should help materially to avoid permitting conditions to develop that may have far-reaching consequences, disadvantageous to industry and labor alike.

A CRITICAL PERIOD AHEAD

The present crisis finds labor in this country in a far different position than when war production began to dominate the industrial picture in 1915. Then wage scales were low; now in the important industries that would be primarily affected by war orders they are double or treble the 1915 figures. Then working hours were long—the objective of organized labor was the 48-hour week; now they average around 40. Then organized labor was fighting for recognition, for a chance to pursue its efforts to organize industrial workers without interference from employers; now the right of labor to organize without restraint of any kind by the employer is definitely recognized.

But today there are new complications that must be taken into account and dealt with wisely. For seven years the greatest labor-organizing campaign in this country's history has been carried on. Many new labor unions have been established, thousands of companies without former collective bargaining experience have entered into agreements with unions and are just beginning to become accustomed to dealing with their employees through union representatives, while the new union members are beginning to acquire the discipline without which successful collective bargaining is impossible. The number and seriousness of disputes have been declining, but the newly acquired experience with collective bargaining is not yet sufficiently mature, sufficiently ingrained, to lead to the conviction that the peaceful settlement of disputes has become generally accepted as the natural way. Moreover, industrial working forces will have to be expanded by the employment of many additional people, and a company's in-

dustrial relations problems always increase during the period of assimilation of a considerable number of new employees.

Meanwhile, the rift in the labor movement has widened and deepened. In spite of efforts of some leaders on both sides to bring the two great labor federations together, the A.F.L. and C.I.O. have seemed to be adding to the difficulties of reconciliation, as each has invaded industries considered by the other to be its own particular field of organization. Efforts of the National Labor Relations Board to protect labor rights have had the effect of adding still further fuel to the rivalry between the two labor groups. Political and legislative issues in a political year have added further points of difference. Jurisdictional contests between them have been costly to employers who were the innocent victims, and in some cases have seriously inconvenienced the public and have intensified demands for union regulation of some kind to prevent unjustified interference with business operation.

The country enters this period of emergency, therefore, with labor relations in a somewhat precarious balance, but with the public in no mood to countenance damaging interruptions of necessary production. Points of difference between employers and their workers will inevitably arise as production is stepped up under the influence of defense orders, and must be settled in some way. There are two alternatives open to American industrial management and to labor: either they must devise a method to settle these disputes amicably between themselves and without delaying output, or the government will take over the adjudication of labor controversies and will prescribe the conditions under which work will be performed.

INDUSTRY AND LABOR ACTUATED BY SAME MOTIVES

Conversations with industrial executives and with labor leaders show a remarkably similar attitude toward their responsibilities in the present crisis. Both groups are thoroughly aware that special interests must be subordinated to national welfare, both are willing and anxious to do their utmost to bring about unified effort for maximum production, but each is suspicious of what the other group may do to capitalize on an emergency situation and use it to gain an advantage over the other. Industry anticipates more intensive organizing effort in industries or plants that are not now organized which may cause the kind of disturbances that have often been associated with such drives. It also anticipates that greater pressure will be exerted to secure the closed or union shop, and a series of demands for higher wages, whether or not justified by economic conditions.

Labor leaders, on the other hand, look for an attempt on the part of employers who are opposed to collective

bargaining to weaken or dislodge unions that have been established in their plants. They expect obstructionist tactics when labor makes demands—that the national emergency and generally abnormal conditions will be utilized as a standard reason why requests cannot be granted, with employers relying on public insistence that there be no suspension of operation to make labor hesitate to call strikes. They suspect that union officers may be short-circuited or the attempt made to weaken their influence with union members. They fear attempts under the guise of national necessity to repeal legislation that they believe has made noteworthy improvement in the status of labor. They suspect that war production will be made very profitable to industry while labor is asked to make the sacrifices.

In short, management and labor are prepared to give their best to the cause of national preparedness but each is deterred from committing itself too fully to co-operation because of a lurking suspicion of the other's motives; each fears that the temptation to gain partisan advantage, even at the expense of the national objective, will prove too strong for the other.

If it might only be possible by common consent to call a truce on internal differences and dissensions during the period of the emergency, then industry and labor could achieve an effectiveness and give a demonstration of the ability of the democratic process to function adequately under stress that would not only give maximum effectiveness to the defense program, but would be an example to the world that the democratic way can also be the efficient way. It would mean agreeing on certain fundamentals, agreeing to live up to certain codes of procedure during the emergency. It would, in effect, amount to freezing the internal situation between management and labor in its present status until such time as release from danger that now threatens the country from without would make it safe for each group to consider again its own particular interests. It would mean that, without surrendering views or convictions tenaciously held by each, there would be agreement to let these differences lie dormant for the time being so that nothing might interfere with the fullest realization of what the country expects from its industry and its workers. It would mean that no question of internal conflict or disagreement would be allowed to interfere with harmonious, efficient, continuous, operation in the vital industries. This does not mean that immediate questions of wages and working conditions should not be brought up for consideration and settlement, but it does mean that in dealing with these and other questions they be considered and settled on their merits without using them as a means of gaining strategic advantage.

From a patriotic standpoint, some such understanding or working agreement seems imperative. It should be the easier to reach since it is so obviously to the

interest of each group. Both industry and organized labor wish to keep labor relations free from government regulation. Each has seen what has occurred in the major European countries under stress of circumstances. With the rise of totalitarian power they saw labor unions and industry in Italy placed under the complete domination of the State. In Germany labor unions and employers' associations were abolished and merged in a Labor Front, completely controlled by the government. Under the stress of war necessity they saw liberal France submit to complete regimentation, with drastic penalties for all who should interfere with maximum production. And, finally, in Great Britain they have witnessed a regimentation of industry by the government that a year ago would have seemed impossible and with no apparent opposition because of the serious national need. Far more startling, however, was the edict outlawing strikes and lockouts and making acceptance of arbitration mandatory in all labor disputes, because this order was promulgated by Ernest Bevin, head of the General Transport Workers' Union, one of England's most prominent labor leaders, now Minister of Labour in the Churchill Cabinet.

This has been the trend in other countries, always toward government control of labor relations, and it will be repeated in this country unless industrial management and labor can prove equal to the task of settling difficulties that arise in stride and without threatening accomplishment of the national objective. Since neither industry nor labor wants government regulation of labor relations, there should be every incentive for each group to find a way to make it unnecessary.

REACHING A BASIS FOR COOPERATIVE EFFORT

There may be various ways for accomplishing this. Possibly consciousness of the seriousness of the situation will have a restraining influence on any who might be inclined to let labor conditions get out of hand. Possibly existing agencies for mediation and conciliation are adequate to deal with the controversies that are likely to arise, particularly with management and labor both anxious to avoid damaging delays to production. But the atmosphere would be clarified if it were possible to secure general agreement in advance on certain principles or rules of conduct that by common consent would govern management-labor dealings during the emergency—principles that would commend themselves to the public as fair and mutually equitable and so receive the powerful backing of public opinion. Each would agree to maintain the status quo by undertaking to avoid seeking to gain any advantage over the other so that each could work with the other in full cooperation toward the common objective of preparing this country as speedily as possible to be in a position to meet any threat from the outside.

There may be differences of opinion as to what should be included in such a statement of principles. Some points, the removal of which from the field of controversy would greatly simplify the attainment of real cooperation, are suggested below. Obviously some of these points are already covered by law, but there is often a wide difference between observing the letter of the law and observing its spirit. It goes without saying that unless the spirit of these principles were observed all thought of working out a basis for amicable cooperation might as well be abandoned.

Management Would Undertake:

Not to oppose in any way legitimate efforts to organize employees so long as their employees were not subjected to coercive or high-pressure tactics.

Not to attempt to disturb or destroy the present status of labor organizations.

Where dealing with part or all of its working force through union representatives, to do so in good faith and not attempt to undermine or short-circuit these union representatives.

To give prompt and serious attention to the constructive settlement through established procedure of all difficulties of whatever character that arise, whether employees in the particular plant are represented by organized labor unions, by independent unions, or by informal committees, or individuals.

Organized Labor Would Undertake:

Not to resort to intimidation or high-pressure methods to increase membership in unions.

Not to exert pressure to force acceptance of the closed or union shop.

Not to permit questions of union jurisdiction to disturb continuity of operation, whether such questions arose between unions in the same federation or between the two federations.

Management and Labor Would Jointly Undertake

To go at least half-way to achieve real management-labor cooperation to the end that the highest degree of effectiveness be achieved in carrying out the program of national defense.

To be governed in considering questions of wage increase by economic facts as determined by competent authorities and not by the force of economic warfare.

If some such understanding could be agreed upon by respected leaders in industry and in organized labor it would set a standard of labor relations that would

receive strong public support, so much so that the individual employer or union officer who might be tempted to vary from it would think twice before doing so. Its effectiveness could be increased if in each industrial community a voluntary board of review were established, consisting of representatives of industry, labor and the public, to which could be submitted controverted questions. Such boards would have no power except to state, after studying a case, their considered judgment as to its merits and their recommendations for settlement. However, because of the representative character of its membership, a statement from such a board that an employer or a union was violating the spirit of the labor truce would align public opinion strongly against the offender and would be a powerful deterrent to further violations.

The whole principle involved would be one of restraints voluntarily imposed on themselves by industry and labor for the duration of the emergency to aid the common cause, with voluntary local policing of the agreement to help in its interpretation in specific cases. It would involve no costly bureaucratic structure or comprehensive system of government agencies issuing arbitrary decisions. Its success or failure would depend upon the willingness and ability of the leaders in industry and labor to reach and abide by an agreed upon basis for conducting their relations with each other and for settling matters about which they might disagree. It is conceivable that it might be found so much more effective and satisfactory than the old way of economic warfare that it would be continued after the immediate emergency is over.

Throughout Europe regimentation of industry and labor in their relations with each other has become the accepted pattern, either as an effective method of making totalitarianism triumphant, or to meet the threat of totalitarian mechanical efficiency. As yet, American industry and labor are relatively free from its strangling effects. They will remain free only if they can demonstrate their ability to so conduct their relations that there will be no good reason for imposing on them a rigid system of control. Theirs is the opportunity to prove that the democratic way of industrial relations is the best way, and theirs will be the responsibility, if in this last stronghold of democracy it is necessary to capitulate to the ruthless and impersonal efficiency of dictated labor policy.

HAROLD F. BROWNE
Management Research Division

Immediate Problems Related to the Defense Program

On June 27 THE CONFERENCE BOARD's Advisory Council on Management Research met with the staff of the Management Research Division to consider how the comprehensive body of data in the files of the Division and its continuing research work relating to the problems of industrial operation could be most effectively directed to meet the needs for accurate information that will be created by conditions incident to the adjustment of American industry to the expanding program of national defense. Some problems facing industry today that were considered by the Council are of such widespread significance and application that, pending completion of studies to be undertaken by THE CONFERENCE BOARD, the results of the discussion are here summarized and recorded as being matters meriting the thoughtful study of operating executives.

THE PEOPLE of the United States have been suddenly aroused to a realization of the unsubstantiality of their former assumption of security and immunity to the forces that have caused the downfall of one after another of the European democracies. It is the American temperament at such a time of shock and disillusionment to yield to sudden impulses and take quick defensive action in the effort to correct what appears to be a dangerous situation without giving adequate thought to the ultimate consequences. But too hasty action at a time like the present, particularly in matters affecting human relations, may intensify rather than arrest a dangerous tendency, may retard rather than expedite smooth transition of its industry into a mighty instrument for national defense, and may inflict injustice on innocent persons.

THE PROBLEM OF FOREIGN-BORN EMPLOYEES

After observing the devastating effects in Europe of sabotage and fifth column activities, Americans are determined that whatever the future may hold for this country in the way of war activity there shall be no repetition here of internal collapse because of the infiltration of foreign agents into positions that would enable them to hamstring a united national effort to meet a serious emergency. In particular, foreigners acting under the orders of totalitarian governments shall not be permitted to establish themselves in important industries where they might do incalculable damage at a critical time. Such a determination is altogether laudable, but ill-considered policy intended to make it effective can have disastrous effects.

It is essential that common sense, sanity and tolerance prevail in the attitude toward foreign-born workers. The working force of many companies includes employees who were born in countries immediately affected by the war in Europe. Many of these have become naturalized citizens; some have not, often through no fault of their own. Other employees are the sons and daughters of parents who emigrated to this country and the ties between these families and their relatives and friends in Europe have remained close and intimate. Some employees, also, come from countries now controlled by totalitarian regimes, and may or may not be in sympathy with the principles and methods of sys-

tems of dictatorship. To many in these various groups of employees the events of the war have brought tragedy in the loss of relatives and the destruction of the independence and institutions of the country of their origin.

This multi-racial character of the American labor force creates problems calling for wise administrative policy, to promote unity and complete adherence to American democratic principles instead of emphasizing racial differences. Company managements will recognize a responsibility to promote a spirit of fair play within their organizations. In place of arousing suspicion of disloyalty on the part of foreign-born employees, which in most cases is groundless, is it not better to set an example of confidence in these workers and urge employees of all ranks to refrain from lightly accusing them of un-American sentiments or connecting them by implication with actions of the country of their origin? Many a remark intended as a joke can wound deeply and lead to bitter resentment.

Foremen have a particular responsibility to discourage racial argument and discrimination, not only in their relations with other foremen in the company, but in setting the standard in their departments. As key men directly supervising the rank and file they need to be impressed by management that it is important that by their attitude and actions they allay rather than intensify racial antagonism; that they, of course, should be alert and observant but at the same time they should avoid discrimination and discourage any attempt to make foreign-born employees the victims of persecution, whether jokingly or in earnest.

THE EMPLOYMENT OF ALIENS

There is a tendency at present to go to extremes in refusing employment to so-called aliens. Everyone not a native or naturalized citizen has become suspect simply because of foreign birth. Some companies are weeding out from their payrolls all who cannot produce evidence of their American citizenship and are requesting all applicants for employment to prove their citizenship.

Is this really wise and far-sighted? In the first place, citizenship is no guarantee of loyalty. Experience abroad has shown that some of the most dangerous members of fifth columns have been native-born citizens considered above suspicion in the countries they have

betrayed. It is also a known device of the promoters of subversive doctrines to have their most effective agents acquire citizenship to remove suspicion from them and permit them to operate unhampered by observation or restraint. Some American citizens of European extraction have embraced the political philosophy of the country of their origin and are working for the spread of these philosophies in the United States. These citizens are far more dangerous than those who for the very reason that they are not citizens will always be under suspicion and observation.

Wholesale denial of employment to unnaturalized foreigners can easily aggravate a danger that such a policy is intended to guard against. Many of these aliens are faithful and competent employees, loyal to the country in which they have settled. Refusing them employment simply because for one reason or another they have not become citizens arbitrarily denies them the opportunity for self-support, and for no actual disloyalty or offense on their part. If such a policy became general it would create a large body of people frustrated in their attempt to secure the employment they need and for which they are qualified by training and skill, most of whom would know themselves to be innocent of any hostile intent against this country. Such a discriminatory policy would tend to drive them into the camps of those forces that undoubtedly exist in this country for the purpose of fomenting dissatisfaction and disunity, and would make them receptive to proposals to assist in the overthrow of a system from which they could expect nothing. There is neither justice nor wisdom in stigmatizing all aliens by assuming a traitorous intent that in the vast majority of cases is unfounded.

This does not mean that company managements should not use every precaution to assure themselves of the character and trustworthiness of aliens now on their payrolls and of those considered for employment. Such a policy, however, is far different from undiscriminating refusal to employ any non-citizen. Many managements have thought it wise to take a citizenship census of their employees to determine who are citizens and who are not. One effect of this has been to stimulate applications for citizenship. A careful but unobtrusive investigation is made of non-citizens, often supplemented by personal interviews with these employees in order to establish their standing in the community and their status as dependable employees. This information is helpful to management and, if occasion arises, can be turned over to government officials for inspection to establish the plant's availability for government work. It may also be useful in carrying out the requirements of the law recently enacted by Congress which requires the registration and finger printing of all aliens by federal authorities.

There are certain government regulations requiring

that aliens be forbidden access to drawings, gauges and so forth connected with the execution of government contracts. Such requirements are entirely understandable. It is one thing, however, to protect in every way possible secrets of important military value and another thing to deny employment of any kind to aliens. It would seem that management could far better protect company and national interests by instilling loyalty and cooperation in all its employees, whether they be citizens or aliens, by demonstration of confidence and goodwill than by arbitrary discrimination against non-citizens or by permitting racial antagonisms to flourish.

PLANT PROTECTION

At a time like the present it is necessary to take special precautions against the presence of unauthorized persons in manufacturing plants. Various devices, such as badges with the employee's photograph or identification cards, are in use to enable those responsible for policing the plant to recognize employees and others whose presence in the plant or in particular areas is authorized. An effective way to tighten the policing of the plant has been to impress on foremen their responsibility for accounting for the presence in their departments of anyone not known to have legitimate business there.

In general, it seems desirable that any system of identification be simple and inconspicuous and adapted to local plant conditions, rather than complicated and irritating. A good system is one by which a stranger entering the plant is promptly recognized as such and is courteously conducted to the General Manager's office.

Each management can probably accomplish adequate plant protection more effectively and with less red tape and friction if permitted to take its own precautions and establish its own regulations. Each management is responsible for conditions within its own plant and, because of its experience, is more competent to determine the risks to which it is exposed and the best methods for protecting itself against these risks. These facts may well be courteously urged and the methods in force explained and demonstrated when government officials wish to impose a rigid pattern for plant protection. Inconspicuous methods are preferable to conspicuous and challenging methods. It is highly desirable to discourage newspaper publicity about a plant's operations of a type that is apt to attract the attention of agents of hostile groups.

PRESSURE FROM CUSTOMERS

Some companies in placing orders or making inquiries are specifying that they must be assured that work on the order will be performed by a force that is composed 100%, or at least 90%, of American citizens. This

requirement is probably due to a desire to be protected in case the LaFollette Civil Liberties Bill is enacted. At the time this is written this Bill has passed the Senate but has not been considered by the House.

Unless and until the government makes such a procedure mandatory on work connected with the national defense program, it is very questionable whether it should be insisted on. Industrial companies do not need this surveillance by customers to take every precaution against sabotage during the manufacture of their products, and there may be excellent reasons why it cannot be complied with. Strict compliance may in some cases disorganize manufacturing processes, delay work on the defense program, or inflict serious hardship on innocent employees. Companies are already known to have declined orders rather than meet this requirement. So long as a company can give assurance that it is complying with all government requirements and regulations this should be satisfactory to customers.

AN EXPANDED TRAINING PROGRAM

Opinions differ with regard to the quantity and quality of skilled and semiskilled labor now available for employment in connection with the national defense program. Those closest to the problem in industry urge the need for immediate attention to intensive training

of men for the mechanical industries. Apprentice training, meaning four-year balanced training courses, to turn out highly skilled craftsmen, must be continued and enlarged to maintain for the future the supply of top-grade machinists, tool and die makers and other highly trained mechanical craftsmen, but this must be supplemented by special short-term training programs to provide larger numbers of men qualified to perform particular machine operations.

In some sections trade schools, vocational schools and technical high schools are equipped to do much in the way of providing the elementary mechanical training upon which industrial plants can build the necessary specialized skill. Encouragement of and cooperation with these school programs by industrial establishments will help to make them more effective. Industry can make both its long- and short-term programs more productive by selecting carefully the candidates for training, thus securing men who possess the necessary attributes and aptitudes for the work to be performed and who can, therefore, most quickly become efficient producers. A little time consumed in careful selection may save much time in wasted effort.

HAROLD F. BROWNE, Secretary
Advisory Council on Management Research

Notes on Personnel Administration

Relating Wages to Cost of Living

Although the cost of living has remained without significant change during recent months, considerable interest has been exhibited in the question of relating changes in wage rates to the movement of the cost of living index number. In this connection the experience of a company manufacturing metal products and employing about 200 people is of interest.

Last fall this company entered into an agreement with a union affiliated with the A.F.L. which included, in addition to some increases in wage rates, the following provision:

In order that the said increases shall not in effect be lost to the employees by any increase in the cost of living, if the cost of living as shown by the cost of living index, compiled by the U. S. Department of Labor, shall by January 1, 1940, have increased one point or fraction thereof, then for the next three months' period base wage rates shall likewise be increased in the ratio of one per cent wage increase for each one point raise in said cost of living index and such increase shall continue until there shall be a further change in said cost of living index upward or downward and then there shall be corresponding change in said base wage rate to the end that this increase shall fluctuate upward or downward in accordance with changes in the said cost of living index, provided, however, that this shall not operate to reduce wages below the wage rates established as aforesaid as increased by said 3-4½%.

The company found this arrangement unworkable "on account of the difficulty to obtain the cost of living index from the Department of Labor within a reasonable time after the change has occurred. Moreover, the clause covered a specified period in which the change in wage rates was to be made, whether the same was up or down, but not less than the rates fixed as of January 1, 1940. Under such a provision it was necessary to make changes in rates even though the index figure had been changed by a very small increment. In this escalator clause we had also inserted a provision that the wage changes would be made in percentage although the index figure may change arithmetically. If the changes were both in percentage there would be a greater increase so long as the index figure remains below 100."

The company, therefore, suggested to the union that this question be reconsidered in an attempt to find a more workable arrangement. As a result of a joint conference the following amended agreement was reached and put into effect:

1st—That whenever the cost of living index registers a change equal to or exceeding three points a corresponding percentage in wages will be granted by the Company.

2nd—That the National Industrial Conference Board figures, issued monthly, will be used as a basis in preference to the U. S. Dept. of Labor Statistics which are only issued quarterly.

3rd—That within two weeks after the figures of the National Industrial Conference Board are released any adjustment required will be made.

4th—There will be no increase or decrease in wages due to the cost of living rising or falling unless the increase has advanced or retarded three points or more.

5th—That any decrease in the cost of living will not go beyond the amount of increase granted due to the cost of living changing. That is to say, it will not affect the present established hourly rates.

6th—It is further agreed that the figures of 85.8 of the National Industrial Conference Board, as of November, 1939, will be used as the basic figure in compiling increases.

An Interesting Venture in Public Relations

An experiment in promoting better company-stockholder relations has been undertaken by General Mills, Inc. In a number of the larger cities stockholders of the company have been invited to meet with officers of the company to learn more about their company and to have an opportunity to ask any questions about its policies and operations. Early meetings were held in Detroit, Los Angeles, San Francisco and Chicago. Following one in New York City on January 18, others were planned for Boston, Cleveland and Minneapolis.

At the New York meeting over 400 stockholders and guests assembled, at the invitation of the company, in the ballroom of the Hotel Biltmore. Each was greeted individually by Mr. James F. Bell, Chairman of the Board. Mr. Bell opened his statement to the stock-

holders by emphasizing the informality of the meeting and urging them to ask questions at any time. He prefaced his exposition of company matters by pointing out the responsibility of stockholders to understand the broad problems with which business enterprise must contend and to take an interest in opposing the imposition on business of unfair burdens, which, to the extent that they cripple business operation and expansion, work to the ultimate disadvantage of all.

The Board of Directors responsible for the policies of the company and the principal executives were introduced to the stockholders by throwing their photographs on a screen while Mr. Bell described the background and the particular qualifications of each. He explained briefly the organization of the company, the volume of its operations, its diversified products and activities, and its policies with relation to employees. He was followed by the company comptroller who explained the company's financial status and operation by means of statements thrown on the screen.

Stockholders asked a variety of questions. Some wanted fuller information regarding wages and conditions of work in the mills. Some asked for further information with regard to the operation of "hedging." Collective bargaining, the relation of profits to the market, and the effectiveness of radio programs were also inquired about. At the conclusion of the session guests were provided with samples of the company's products.

Questions and Answers

An important function of the Management Research Division is to focus the information gathered in its many studies on particular problems confronting associated companies. The Division's services are constantly at the disposal of executives in these companies. Inquiries are, of course, answered promptly by mail, but some questions and answers believed to be of general interest are reproduced from time to time in this section of the MANAGEMENT RECORD.

Question: We are considering the adoption of a group annuity plan and already have a group life insurance plan in force. What has been the policy of other concerns in carrying group life insurance for their pensioned employees?

Answer: Upon examination of the plans in our files, we do not find any evidence of a definite policy, as the companies are handling the problem in a variety of ways. It may be said in general, however, that there seems to be an inclination to reduce the amount of life insurance for this class to some nominal amount such as \$500 or \$1,000.

It is claimed by some insurance authorities that group life insurance is in reality term insurance which is not intended to be carried through to old age at the full amount, also that full life insurance protection is not needed for the widow if the joint and survivor provisions of the group annuity plan are elected. The following examples indicate the policies of a number of companies regarding the amount of life insurance carried

for pensioners, and the payment of premiums:

Public utility company: group life insurance reduced 10% per year to a minimum of 50% of amount carried at time of retirement. Company pays the entire premium.
Asphalt company: employee may retain insurance but must pay all premiums.

Oil company: if group insurance carried exceeds \$1,000, reduced to that amount. Company pays the entire premium.

Public utility company: if employee has participated ten years in plan, company to continue to pay insurance of approximately 1/3 of final year's pay to a maximum of \$1,000.

Public utility company: employee may retain but must pay all premiums.

Nonferrous metal company: employee may retain but must pay all premiums.

Public utility company: group life insurance reduced 10% per year to a minimum of 50% of amount carried at time of retirement. Company pays entire premium.

Sugar company: \$500 carried by company.

Oil company: 1 year's salary to maximum of \$1,000, carried by company.

Oil company: \$500 carried by company.

Public utility company: carry full amount at company expense.

Flour company: carry full amount at company expense.

Oil company: reduced 10% per year to amount of annual salary at time of retirement. Paid by joint contributions.

Flour company: group life insurance discontinued.

Question: How many rating characteristics are considered essential in an effective employee-rating plan?

Answer: The recent experience of a large glass manufacturing company in selecting the proper number of rating factors provides an interesting contribution toward the answer to this problem. In a canvass of eleven of the company's plant managers, more than one hundred different characteristics were suggested. The number of factors recommended by each plant manager ranged from a maximum of twenty-four down to the recommendation that there should be no rating plan at all. Fourteen factors were chosen in starting the plan but later on eight were eliminated, so that today it consists of only six factors: (1) quantity of work, (2) quality of work, (3) carrying out instructions, (4) judgment, (5) teamwork, (6) personal habits.

There is no set of factors that can be applied universally. Most companies study what other companies have done and then start from scratch. It would seem wise to err on the side of using too few rating factors at first rather than too many and then, if additional factors are requested, they can be added gradually, keeping in mind that additional factors increase the time to be spent in rating. It will save time and confusion if, at first, your rating plan has simplicity—one which will provide reliable information without encroaching too seriously on the time of foremen and department heads.

Question: In studying the possibility of installing a job evaluation plan we are confused by the similarity of job-rating factors in job evaluation plans to the man-rating factors in employee evaluation plans. For instance, such factors as skill and physical effort appear in both types of plans. Where is the real dividing line between job evaluation and employee evaluation?

Answer: The key to the difference between these two types of evaluation lies in the use of the words "required" and "delivered." Although the word "required" seldom appears along with each job factor in job evaluation plans, it is nevertheless understood. Thus the job factor "skill" in a job evaluation plan means "skill required," while the same factor in an employee evaluation plan means "skill delivered." Similarly, "physical effort" in the one case means "physical effort required" while in the other it means "physical effort delivered."

It becomes apparent that there must be a dividing line between skill required and skill delivered and also between physical effort required and physical effort

delivered. This dividing line is the level at which the basic hourly rate for the job is established. Although the amount of skill and physical effort required for the basic rate is in one sense a man characteristic, in job evaluation terms it is a job characteristic because it is a constant requirement no matter what man works on the job. As various men fill the job, the amount of skill or physical effort delivered above the line may vary and from this point of view the same two characteristics "skill" and "physical effort" become man characteristics. This is the true significance of the phrase "rate the job and not the man" that has become a fundamental rule in training men to evaluate jobs properly.

Question: What is the significance of the word "point" in the term "point system of job evaluation?" Is there any connection between a point in a job evaluation plan and the same term used in connection with wage incentive plans?

Answer: The term "point system of job evaluation" is simply a means of expressing the fact that certain job factors are assigned numerical values or points; the number of points depending upon the relative importance of each factor in a given job. There is no connection between the use of the term "point" in job evaluation and the use of the same term in connection with wage incentive plans; as for example, the use of the term "point-hour" to express worker performance in some wage incentive plans.

Question: We are considering building a windowless air-conditioned plant, but we hesitate because of the possibility that worker morale may be lowered due to the absence of natural sunlight. Have any companies that have adopted this type of construction found that worker morale is lowered?

Answer: According to the experience of a prominent eastern company that has recently built a large air-conditioned windowless factory with fluorescent lighting, the effect on workers has been favorable. According to this company, workers who thought that a windowless plant might make them feel that they were "spending their lives in jail," now say "With good light you don't know whether there are windows or not."

Question: We understand that an association has been formed by a group of employee publication editors. Can you tell us where it is located?

Answer: Our files show at least three associations now organized in different sections of the country:

The American Association of Industrial Editors,
1964 East 9th Street, Cleveland, Ohio

The House Magazine Institute,
56 West 45th Street, New York City

The Southwestern Association of Industrial Editors,
Oklahoma A. and M. College, Stillwater,
Oklahoma

A Glance at Labor Statistics

AVERAGE HOURLY EARNINGS of all wage earners in 25 manufacturing industries rose from 73.4¢ in April to 73.7¢ in May. The corresponding figure for May, 1939 was 72.0¢.

Average weekly earnings of all wage earners in 25 manufacturing industries remained practically stationary from April to May, the figures being \$27.66 and \$27.67 respectively. In May, 1939 the figure was \$26.19.

Employment declined from an index number of 93.9 in April to 93.3 in May. It was still above the index of 84.1 in May, 1939.

Average hours of work per week declined very slightly from 37.6 hours in April to 37.5 hours in May. Average hours in May, 1939 were 36.5.

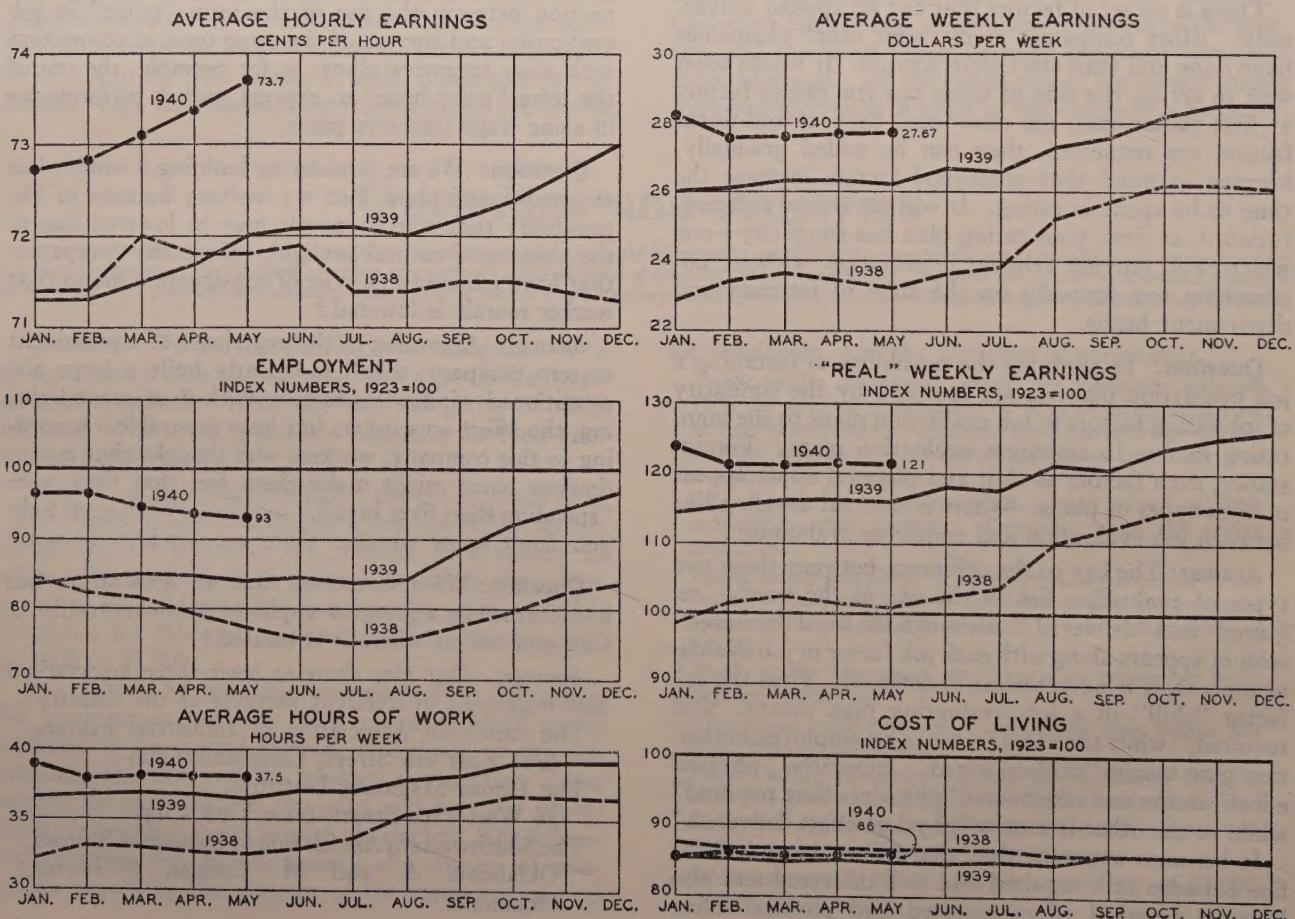
The cost of living index remained practically unchanged, rising from 85.9 in April to 86.0 in May. This is an increase of 1.4% over May, 1939. The purchasing value of the dollar on the basis of cost of living declined from \$1.164 in April to \$1.163 in May, as compared with \$1.00 in 1923.

Real weekly wages, or the purchasing power of money wages, dropped slightly from 121.0 in April to 120.9 in May. Real wages are still above the 116.0 level in May, 1939.

Unemployment declined from April to May, according to the estimates of THE CONFERENCE BOARD, by 3.8%, resulting in an unemployment total of 8,624,000 persons in May, as compared with 8,966,000 in April, and with 9,382,000 in May, 1939.

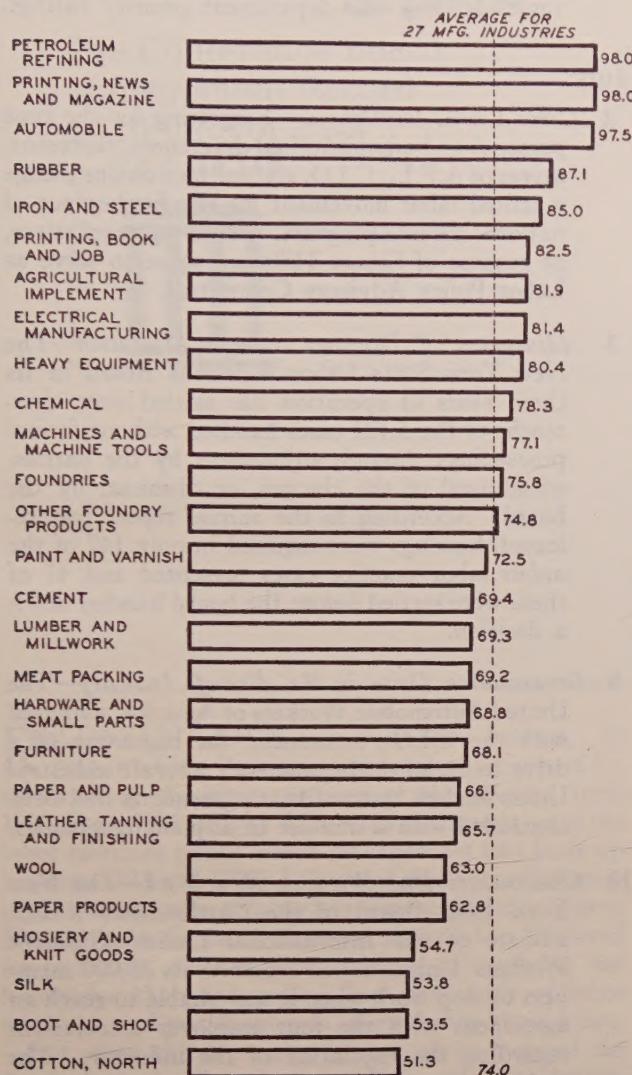
LABOR TRENDS IN 25 MANUFACTURING INDUSTRIES AND THE COST OF LIVING, 1938-1940

Source: THE CONFERENCE BOARD



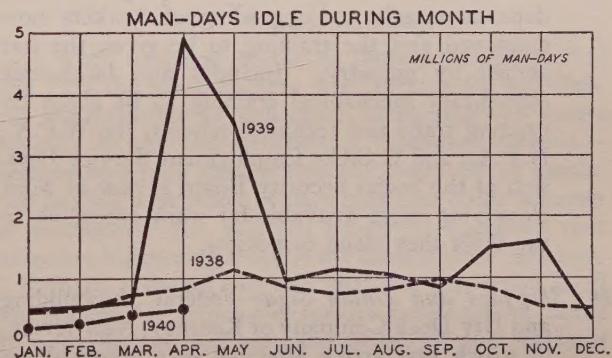
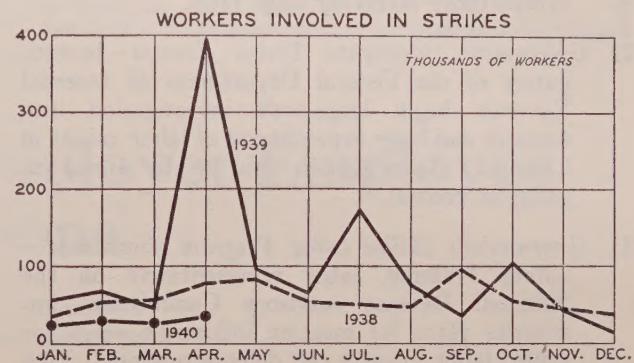
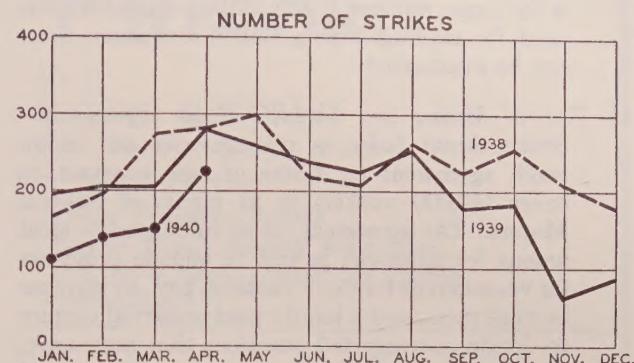
AVERAGE HOURLY EARNINGS IN CENTS
27 MANUFACTURING INDUSTRIES, MAY, 1940

Source: THE CONFERENCE BOARD



INDUSTRIAL DISPUTES, 1938, 1939, AND 1940

Source: U. S. Bureau of Labor Statistics



Chronology of Events Affecting Labor Relations June 11 to July 10, 1940

June

12 *A.F.L. Calls for Labor Representation*—American Federation of Labor's monthly survey of business asks representation of organized labor on all policy-forming groups dealing with defense program, as well as on all boards for training skilled workers, as a means of safeguarding democratic procedures.

- 16 *Defense Program and Unemployment*—C.I.O. estimates in its publication "Economic Outlook" that not more than 800,000 new jobs will be created by the national defense program and that any idea that unemployment will be substantially reduced through this medium is an "illusion."
- 17 *Apprentice Training to Be Stimulated*—Federal Committee on Apprentice Training announces plan to

quintuple number of apprentices in the skilled trades. It points out that while immediate need is for larger number of semiskilled specialists, the need for training highly skilled craftsmen must not be overlooked.

- 18 *General Motors and U.A.W. Reach Agreement*—Strike threat fades as management and union reach agreement on terms of new contract to cover 140,000 workers in 54 plants of General Motors. The agreement, to be submitted to local unions for approval, is said to include provision for vacations or for extra vacation pay, an increase in wage rates, and a jointly paid impartial umpire to decide controverted questions that may arise, except those involving wage rates.
- 21 *Government Investigates Union Records*—Investigators of the Federal Department of Internal Revenue begin large-scale investigation into finances and large expenditures of labor unions in Chicago. Investigation said to be aimed at gangster control.
- 23 *Government's Skilled Labor Program Announced*—Sidney Hillman, labor representative on the National Defense Advisory Commission, announces plans for meeting industry's needs for skilled labor to carry out defense program. Plan depends mostly on upgrading of workers now employed and the training to be given the less skilled by industry. Includes also large-scale elementary mechanical training to be given by existing trade and technical schools, the W.P.A., N.Y.A., and C.C.C. Employment Service Division of the Social Security Board is now at work classifying those available for work according to the skills they claim to possess.
- 24 *Shipyard and Union Sign*—Federal Shipbuilding and Dry Dock Company of Kearny, New Jersey, in which first strike affecting war preparedness program occurred, signs a one-year contract with the Industrial Union of Marine and Shipbuilding Workers of America (C.I.O.). Contract provides for sole bargaining rights, an increase in minimum wage rates from 62½ cents to 70 cents per hour for all except laborers, and one week vacation after three years' service. It is stipulated that extra week's pay may be given in lieu of vacation if made necessary by the defense program. The union waived demands for a closed shop and for a week's vacation after one year of service.
- 27 *Schools to Train Craftsmen*—New Jersey Commissioner of Education announces plan for utilizing school facilities to train craftsmen for industry.

Vocational schools will operate from 8 to 24 hours daily, depending on needs. Work will be planned to give first consideration to needs of manufacturers holding war department priority ratings.

July

- 2 *Labor Unites for Defense*—Forgetting for the time personal and organizational differences, representatives of A.F.L., C.I.O. and railway unions pledge a united labor movement for the furtherance of national defense program. These representatives, at request of Sidney Hillman, agree to serve as Labor Policy Advisory Committee.
- 3 *Adjustment of Disputes through Mediation*—The New York State Labor Relations Board in its three years of operation has settled over nine-tenths of the 5,121 cases handled without formal proceedings through adjustment by the parties, withdrawal of the charges, or dismissal by the board. According to the annual report just released, hearings were required in only 147 of the unfair labor practice cases presented and 47 of these were settled before the board handed down a decision.
- 8 *Organization Drive in the Aircraft Industry*—The United Automobile Workers of America, affiliated with the C.I.O., announced the beginning of a drive to organize the country's aircraft industry. Union leaders asserted that agreements had been concluded with a number of airplane companies.
- 10 *Cloakmakers Halt Work in New York*—The New York Joint Board of the Cloakmakers Union, affiliate of the International Ladies' Garment Workers' Union, issued orders to its 35,000 members to stop work when it was unable to reach an agreement with the four employer associations regarding the regulation of the industry. The major points of dispute were: (1) manufacture of the entire garment in New York, rather than having them cut there and sewed out of town where labor rates are lower; (2) limitation on the number of contractors each jobber may hire; and (3) the establishment of a board of control to supervise production methods, practices and standards.
- Presidential Edict Postpones Railway Express Strike*—President Roosevelt postponed for at least 60 days the strike of 30,000 Railway Express Agency employees by invoking the powers delegated to him by the Railroad Labor Act. The union had called a strike for July 12 to obtain a 44-hour week for certain classes of employees.